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SUBJECT: UNCTAD - Trade and Development Board, 55th Session, September 15-26, 2008, Geneva Switzerland

¶1. SUMMARY: The United Nations Conference on Trade and Development (UNCTAD) held the 55th Session of its Trade and Development Board (TDB), UNCTAD's governing body, in Geneva from September 15-26,

¶2008. IO DAS Gerry Anderson represented the US during the high-level segment of the TDB, September 15-16, which addressed progress in achieving the Millennium Development Goals (MDGs). The Board elected Ambassador Debapriya Bhattacharya, Bangladesh's Ambassador in Geneva, as President for its 55th session. During the two week period, member states concluded that governments must focus on job creation and economic growth to generate sufficient revenues to achieve the MDGs, and called upon the UNCTAD Secretariat to reallocate its regular budget to provide funding for production of the flagship LDC report. A report of the meeting will be transmitted to the UN General Assembly in November. END SUMMARY.

High-Level Segment: Trade and Productive Capacities for Achieving Internationally Agreed Development Goals, Including Millennium Development Goals (MDGs)

¶2. UNCTAD Secretary General Supachai Panitchpakdi and five key note speakers discussed the MDGs and development finance, in particular aid for trade. According to Supachai, many nations are not on target to achieve MDGs since infrastructure to support a productive economy is lacking and Official Development Assistance (ODA) is insufficient. Supachai opined that MDG related policies must be more comprehensive including adaptation to climate change, food security and short-term emergency funds for natural disasters and the agricultural sector. Presentations given by Rwanda and the Japanese Export Agency (JETRO) emphasized that many nations are investing in infrastructure to support advanced telecommunications and utilities, but their investments need to be diversified to include tourism, manufacturing and other productive sectors of the economy, not just telecommunications and utilities. Speakers emphasized that the private sector can be a partner in productive investments, and thereby multiply the positive impact of ODA to improve productive capacities.

¶3. International Organizations (IO) Deputy Assistant Secretary Gerry Anderson served as a lead discussant for the high level segment. He asked panelists about their views on balancing ODA between expenditures to improve productive capacities and expenditures on social issues. Anderson's statement highlighted grants given by the Millennium Challenge Corporation to developing countries that are committed to governing justly and economic freedom, as examples of country-owned and country-led development projects that can support balanced growth.

Review of Progress in the Implementation of the Program for Action for the Least Developed Countries (LDCs) for the Decade 2001-2010.

¶4. UNCTAD's LDC report advocated increased government intervention to regulate the markets and encourage local investment or profits, rather than capital outflows. The report praised Southeast Asia's success in producing value-added products, diversifying its economies and increasing domestic savings. The report questioned the sustainability of commodity-based growth in LDCs, and expressed concern over the impact on LDCs of a potential sharp decline in commodity prices, related to the ongoing financial crisis and consequent economic downturn. Panelist Professor Carlos Branco from the Institute of Social and Economic Studies in Mozambique opined that national governments should implement policies that allow the state to govern market prices and interest rates and thus buffer the impact of price fluctuations on LDCs. Central banks should control local economies/markets and encourage profit re-investments from domestic enterprises, according to UNCTAD.

¶5. Branco recommended that LDCs increase south-south and trilateral trade to develop new markets and growth models. Branco emphasized the importance of local solutions to spur growth. He also stated that LDCs should work to end corruption, which will give greater legitimacy and credibility to their governments, and engender trust in LDC governments by donor countries. In parallel to anti-corruption efforts by LDCs, donors should provide technical assistance to LDC, so they are more capable of effectively managing their ODA budgets. Bangladesh commented that ending corruption and increasing ownership is not sufficient to ensure economic growth; donor nations must coordinate their multilateral aid efforts to reduce transaction costs and increase projects' efficiency. Zimbabwe for G-77 opined that LDCs lack suitable local personnel to undertake project management so must devote large amounts of ODA to administrative fees to pay for project management by expatriates.

Economic Development in Africa: Trade Liberalization and Export Performance in Africa
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¶6. A Secretariat panel and five key note speakers introduced the 2008 Report: Economic Development in Africa: Export Performance after Trade Liberalization. According to UNCTAD LDC office Director Habib Ouane, whose office authored the report, liberalization of markets within Africa has not led to economic development for many nations because poor physical infrastructure, inadequate technology and lack of financial credit prevent African businesses from taking advantage of preferential trade arrangements. Although the quantity and value of Africa's exports has increased since 1980, Africa's share of the world exports has decreased from 6% in 1980 to 3% in 2007, meaning the rest of the world has done even better in terms of quantity and value of exports so Africa has fallen further behind.

¶7. Arne Bigsten a panelist from the University of Gothenburg stated that liberalization was necessary for African economic growth to occur; liberalization weeded out bad firms that were inefficient and which only survived because of high tariff walls. Bigsten attributed Africa's poor economic performance to the high risk and high cost of investment in Africa. Zimbabwe reacted negatively to this presentation stating that Bigsten's pro-liberalization focus and negative message about the investment environment in Africa were contradictory to the main points of the 2008 Africa report. Ambassador Arsne Balihuta (Uganda) focused his presentation on African regional integration as a source of economic growth. He recommended that small and medium-sized enterprises build upon local markets to become large businesses participating regional markets and in the global value chain. Senegal supported this approach.

¶8. Ouane recommended that countries benefiting from high priced commodity exports use that surplus income to finance infrastructure to expand domestic and regional markets. Mexico, speaking on behalf of the Group of Latin American countries (GRULAC) suggested that the agricultural sector needs restructuring, in particular, by increasing the production potentials and by research and development in the fishing and horticultural sectors.

Investment for Development; Transnational Corporations, Infrastructure and Development
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¶9. UNCTAD SG Supachai introduced the 2008 World Investment Report, and guest speakers made presentations on Infrastructure Development in Africa and Good Governance in Public-Private Partnerships.

Global Foreign Direct Investment (FDI) flows rose for the 4th consecutive year by approximately 20 percent, with record FDI to LDCs. The largest sources of outward FDI among developing nations were Hong Kong, China and the Russian Federation. Supachai highlighted the importance of work by the International Monetary Fund to draft guidelines to increase transparency and accountability for sovereign wealth funds, which now play an important role in overall FDI.

¶10. Thomas Scott, a panelist from the Development Bank of Southern Africa, encouraged transnational corporations to work in developing countries through public-private partnerships, which allow increased access to capital and more certainty of project outcome. Such public-private partnerships also encourage technological innovation and a transfer of risk from the government. Geoffrey Hamilton from the United Nations Economic Commission for Europe (UNECE) stated that the key challenges of public-private partnerships are: conflicts of interest among project administrators; insufficient returns on investments in infrastructure; and for LDC's, in particular, competition with other regions with larger markets and higher potential returns on investment. Hamilton emphasized that public-private partnerships must be mindful of training government staff to support growing industries and related regulations, defining the public interest and attempting to achieve social and environmental improvements for the nation.

Report on UNCTAD's Assistance to the Palestinian People

¶11. Under the annual Palestine agenda item mandated for inclusion in the TDB by the General Assembly, 19 national delegates made interventions that attributed economic hardships in Palestine to the Israeli occupation of Palestinian territories. Zimbabwe on behalf of the Group of 77 and China stated that Israeli taxation of Palestine removes necessary revenue from the local economy and makes it hard for local officials to fund development projects. Speakers opined that economic progress can be achieved within Palestine by increasing ODA to Palestine and implementing recommendations in the UNCTAD Report. The EU expressed support for the UNCTAD technical assistance program. Israel made a short statement expressing support for UNCTAD's work and a desire that UNCTAD's technical assistance (TA) program in Palestine be treated like other UNCTAD TA programs and not be singled out for politicized treatment. Israel suggested that UNCTAD identify research opportunities, emphasize the positives of private sector investment, and investigate how Israeli technology can be utilized through information sharing to aid capacity building in Palestine. The US did not intervene under this agenda item. While an entire afternoon session (three hours) was allocated to the Palestine agenda item, the discussion lasted only just over an hour, making the Israeli approach largely successful.

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